



Spatial Economics Research Centre

Thursday, 1 September 2011

Empty homes and the housing crisis

John Redwood (henceforth, JR) has been offering his thoughts on the housing crisis and [attempting to deal with some myths](#). Let me offer a few thoughts and some important corrections.

JR: "There were 738,414 empty homes in the UK in 2010 – there will be around the same number today."

True(ish) but pretty misleading. [According to DCLG](#) there were 737,491 vacant properties in Oct 2010. But many of these are not long term vacant. In fact, only 300,526 of these properties had been vacant for more than 6 months. [I pointed out exactly the same problem [last time the empty homes issue was raised](#)]

JR: "Myth One: The south-east is selfish, with Nimby Councils refusing to build the homes we need [...] If you look at Quarter II 2011 figures you will find that London built the most new homes – 6831, and the South East the second most at 5833. These figures are well up on a year earlier. The whole of Wales managed only 613, well down. Also falling were the North East at 806, Yorkshire and Humberside at 1903 and East Midlands at 1941."

Again, this is misleading. First, because the comparison ignores the size of regions (as e.g. measured by the existing stock). Second, because 2011 is very misleading given that the housing market has crashed and burned in every region except London and the South East. For the longer term picture, go back to, say, 2005 (before the height of the boom) and look at the build rate as a percentage of stock. This was 0.8% in the South East, higher than 0.68% in the North, 0.71% in Yorkshire and the West Midlands, 0.91% in the East Midlands Stock. But London had the lowest figure in England at 0.60%. Stock figures are [here](#), new build [here](#).

[I do agree, however, that the South East is in no way unique when it comes to NIMBYism]

"Myth Two: House prices rose too fast because there was insufficient new build. House prices are mainly determined by the price of second hand houses [...] The main reason houses became so expensive in the period 2001-8 was the huge surge in mortgage finance"

This is a pretty bold statement [with little empirical support](#). Even if mortgage finance explains some of the boom (so the recent *rise* in prices), supply constraints are important when it comes to the *level* of prices relative to income.

JR: "Myth Three: All the empty houses are in the wrong place, so they cannot answer the problem"

Again, the numbers given here are a little misleading. Figures for long term vacant properties (source as above) are: 34,422 in London, 34,279 in the South East (25, 597 in the East of England).

JR: "Myth Four Most of the new homes need to be built in London and the south-east"

There are strong market signals that housing in the south east is valued more than housing elsewhere. An efficient market would respond to these price signals by providing more housing in the south. JR clearly thinks that the market is failing to price in negative externalities and that these externalities are so huge that we should ignore the price differences. Again, this is a pretty bold assessment with [little empirical support](#).

In short, empty homes are a red herring in terms of dealing with the housing crisis; supply constraints continue to matter; and supply constraints in the south matter more than elsewhere. No myths there ...

[PS: Update 1st December 2011: Thanks to David Ireland of @emptyhomes for pointing out the JR was right to say 738k long term empty homes for the UK. I was comparing this to the long term figures for England. Two further clarifications. One, I have nothing against the empty homes campaign (providing it is a cost effective way of improving the housing supply). Two, I still don't think it is a big part of the solution for the reasons outlined above]

Posted by [Prof Henry G. Overman](#) on [Thursday, September 01, 2011](#)

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1 comment:

Anonymous said...

Oxford Economics undertook research for the European Commission showing that the rise in house prices pre boom was almost entirely as a result of the increase in credit witnessed during the 2000s. Disappointingly, it's never been published, but I'm sure you could ask them nicely....

1 September 2011 at 16:38

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